



Investor Letter
March 23, 2026

The War in Iran and Your Investments

In recent weeks, the conflict in Iran has escalated quickly. The circumstances of the war are changing day to day, and in this memo we won't try to forecast the outcome. Instead, we will focus on how the war may impact your investments, and how we have positioned your portfolio for times such as these.

In our Fourth Quarter 2025 Investor Letter, we noted that 2026 would likely bring at least one major unforeseen event, and this is just such an event. As we've said in the past, such events happen with some regularity, but unfortunately their specific timing and nature are unpredictable. We address this problem by constructing client portfolios with the anticipation that market disruptions will occur, even if we don't know exactly when or why they will occur. This is why we diversify across different styles of investing (value, growth, dividends), different asset classes, and why portfolios, when appropriate, hold substantial cash positions.

What History Shows Us

While it is impossible to predict how a crisis like the current one will unfold, it is useful to look at how markets have behaved during previous geopolitical crises.

Across 20 major post-World War II military crises studied by RBC Wealth Management, the S&P 500 Index experienced an average peak-to-trough drawdown of roughly 5–6%, typically bottomed within 18–24 trading days, and recovered losses within about a month. The table below summarizes the most relevant historical analogs to today's situation:

Event	S&P 500 Drawdown	Days to Trough	Days to Recovery
Cuban Missile Crisis, 1962	-6.4%	6 days	13 days
Six-Day War, 1967	-5.6%	15 days	20 days
Yom Kippur War / Oil Embargo, 1973	-16.1%	42 days	~6 years*
Iraq Invades Kuwait, 1990	-15.9%	50 days	131 days
9/11 Attacks, 2001	-11.6%	11 days	31 days
Russia/Ukraine Escalation, 2022	-7.4%	13 days	27 days

Source: RBC Wealth Management, Reuters/CFRA. Past performance is not indicative of future results.

*A long bear market caused by multiple events followed this decline.

The key insight from this data is that most geopolitical shocks are fast, sharp, and ultimately reversible. The Cuban Missile Crisis, the Gulf of Tonkin, 9/11, and the 2022 Russia/Ukraine escalation all fit the same pattern: a sudden selloff, a trough reached within days to a few weeks, and a recovery in one to two months once investors concluded the conflict would not cause a lasting recession.

A critical variable in any crisis in the Middle East is whether it causes an oil supply shock. The two notable exceptions in the historical record are 1973 and 1990. In 1973, the Arab oil embargo transformed a regional

conflict into a global inflation and recession event — and recovery took years. In 1990, Iraq's invasion of Kuwait produced a sharp roughly 16% stock market decline, but once the path to Desert Storm and restored oil supply became clearer, the market recovered over the next few months.

The current Iran conflict, with oil prices having spiked sharply, sits somewhere between these scenarios. Markets appear to be pricing it as a serious but potentially temporary supply disruption — not yet the kind of structural inflation shock that caused multi-year damage in 1973. That could change if the conflict widens or if oil supply remains constrained for an extended period.

Where Valuations Stand

In our Fourth Quarter 2025 Investor Letter, we said that the market was somewhere between fairly valued and slightly undervalued. With the recent selloff, valuation levels are more attractive than they were when 2026 started. Importantly, attractive valuation does not guarantee a market bottom, particularly if the conflict escalates or if a recession follows from the oil shock. But it is a meaningful data point. Historically, buying into market weakness at reasonable valuations has been one of the more reliable paths to long-term returns. The market has also fallen substantially in a short period of time, and based on the historical patterns described above, may be approaching a level where sellers have exhausted themselves.

It is impossible to call market lows. But we do believe that long-term investors should feel somewhat better — not worse — about the return prospects of a diversified equity portfolio than they did three months ago.

A Final Note

The situation in Iran is evolving daily, and we do not know how it will be resolved. What we do know is the following:

- We have structured your investments to pursue long-term growth while maintaining a cushion against sharp downturns.
- History favors recovery. In the large majority of past crises — including significant military conflicts — markets have recovered and moved higher within a fairly short time frame. The exceptions have been situations where geopolitical events triggered broad economic recessions. We are not dismissing that risk, but it is not the base case.
- Selling into fear is historically a poor strategy. The worst investment decisions are typically made at precisely the moments of greatest anxiety. Investors who sold during the Cuban Missile Crisis, after 9/11, or in the early days of the Russia/Ukraine invasion would have missed the subsequent recovery — often a very swift one.
- We are watching the oil market closely. The degree to which this conflict becomes a durable inflation and supply shock — rather than a sharp but temporary one — will largely determine how the situation is ultimately resolved.

We understand the current news is unsettling, particularly since it impacts your investment portfolio. We also know from many decades of data that crises pass, markets recover, and investors who remain disciplined are rewarded for it. We believe your portfolio is built to perform well over the long term and to withstand events like this one. If we've done our job, it is well-positioned for both the near-term uncertainty and the eventual recovery we expect to follow.

Thank you for the trust you place in us. Please do not hesitate to call or email — we are available to speak with you at any time and welcome the conversation.

Sincerely,

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